

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**EMPLOYMENT AND  
TRAINING ADMINISTRATION**



## **AUDIT OF THE DISTRICT OF COLUMBIA'S WORKFORCE INVESTMENT ACT PROGRAM**

**Date Issued: March 31, 2006**

**Report Number: 03-06-002-03-390**

## BRIEFLY...

Highlights of Report Number: 03-06-002-03-390, to the Assistant Secretary for Employment and Training.

### WHY READ THE REPORT

The Workforce Investment Act (WIA) provides funding and guidance to statewide and local workforce investment systems to increase the occupational skill attainment, employment, retention, and earnings of participants. The Office of Inspector General (OIG) conducted a performance audit of the District of Columbia (DC) WIA program for program years (PYs) 2001 and 2002; however, we examined activities beyond this period, when circumstances warranted, to answer the audit objectives. The Department of Employment Services (DOES) administers the DC WIA program. For PYs 2001 and 2002, ETA awarded DC \$7,842,718 and \$7,819,449, respectively, in WIA funds and \$8,000,000 and \$6,000,000, respectively, in Youth Opportunity (YO) grants. WIA provides the authority for awarding YO grants.

### WHY OIG DID THE AUDIT

The purpose of our audit was to answer the following questions:

1. For Adult and Dislocated Worker participants with an approved Individual Training Account (ITA), did DOES: (1) provide these participants a choice of training providers; (2) provide training services in a timely manner; and (3) exit these participants from WIA in a timely manner?
2. Does the DOES procurement process for selecting training providers adhere to WIA and DC regulations?
3. Is DOES meeting Office of Management and Budget (OMB) Circular A-133 Single Audit requirements?
4. Is the DOES One-Stop System structured in accordance with WIA and the DOES State Plan, and are costs for the One-Stop centers proportionate to the level of services they provide?

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency and DOES' response, go to:

<http://www.oig.dol.gov/public/reports/oa/2005/03-06-002-03-390>

March 2006

## Audit of the District of Columbia's Workforce Investment Program

### WHAT OIG FOUND

The OIG found that for Adult and Dislocated Worker participants with an approved ITA: (1) there was evidence to support that DOES provided a choice of training providers to 14 of the 20 participants in our sample, but DOES' policies for low-income participants facing multiple barriers to employment did not provide for consumer choice; (2) over one-third of these participants waited over 60 days to receive training; (3) DOES caseworkers did not exit 52 percent of sampled Adult and Dislocated Worker Program participants with in the required WIA guidelines of not receiving any services within 90 days. We also found that DOES did not comply with WIA regulations for its procurement of training providers for the WIA Youth program until October 2002 and DOES did not comply with DC procurement regulations in awarding YO subgrants. The DOES procurement process of training providers for the WIA Adult and Dislocated Worker programs adheres to WIA regulations. Additionally, DOES did not obtain the required audit reports for two subgrantees. Finally, The DOES One-Stop System is structured in accordance with WIA regulations and its State Plan, and the One-Stop center costs were proportionate to the level of services.

### WHAT OIG RECOMMENDED

We recommended that the Assistant Secretary for Employment and Training ensure DOES: (1) revises the DOES One-Stop Career System Operating Policies; (2) caseworkers document all activity related to enrolling participants in training and take action on the systemic causes of any delays; (3) automatically exits Adult and Dislocated Worker participants who received no services within 90 days and provide training for their caseworkers to ensure that they are complying with policies and procedures; (4) implements procedures that the Office of Grants Management and Development (OGMD) reviews subgrant awards; and (5) implements a process so that required audit reports for subgrantees are obtained and used as part of its monitoring process.

In their response to the draft report, DOES officials stated they took corrective action on recommendations 3 and 5, and plan to take corrective action on recommendation 1. DOES officials did not respond to recommendations 2 and 4. All recommendations will be resolved as part of ETA's audit resolution process.

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## **Executive Summary**

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The Workforce Investment Act (WIA) provides funding and guidance to statewide and local workforce investment systems to increase the occupational skill attainment, employment, retention, and earnings of participants. WIA created a comprehensive workforce investment system, which provides individuals universal access to employment related services, increases accountability for performance and customer satisfaction, strengthens the role of local workforce investment boards and the private sector, provides flexibility at the state and local level, and improves youth programs. The U.S. Department of Labor (DOL) Employment and Training Administration (ETA) is responsible for administering WIA at the Federal level.

The Youth Opportunity (YO) Grants, authorized under section 169 of the Workforce Investment Act of 1998, are to provide activities for youth to increase the long-term employment of youth who live in empowerment zones, enterprise communities, and high poverty areas and who seek assistance. All individuals ages 14-21 that reside in a community identified in the grant are eligible to receive services under the YO grants. The YO grants were awarded through a competitive selection process.

As part of an ongoing effort to ensure that the WIA program was operating in accordance with laws and regulations, the Office of Inspector General (OIG) conducted a performance audit of the District of Columbia (DC) WIA program for program years (PYs) 2001 and 2002; however, we examined activities beyond this period, when circumstances warranted, to answer the audit objectives.

The Department of Employment Services (DOES) administers the DC WIA program. For PYs 2001 and 2002, ETA awarded DC \$7,842,718 and \$7,819,449, respectively, in WIA funds and \$8,000,000 and \$6,000,000, respectively, in YO grants. WIA provides the authority for awarding YO grants.

We conducted the audit to answer the following questions:

1. For Adult and Dislocated Worker participants with an approved Individual Training Account (ITA), did DOES: (1) provide these participants a choice of training providers; (2) provide training services in a timely manner; and (3) exit these participants from WIA in a timely manner?
2. Does the DOES procurement process for selecting training providers adhere to WIA and DC regulations?
3. Is DOES meeting Office of Management and Budget (OMB) Circular A-133 Single Audit requirements?

4. Is the DOES One-Stop System structured in accordance with WIA and the DOES State Plan, and are costs for the One-Stop centers proportionate to the level of services they provide?

## Results

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We found that:

1. Overall, for Adult and Dislocated Worker participants with an approved ITA: (1) there was evidence to support that DOES provided a choice of training providers to 14 of the 20 participants in our sample, but DOES' policies for low-income participants facing multiple barriers to employment did not provide for consumer choice; (2) over one-third of these participants waited over 60 days to receive training and 14 percent waited over 4 months, but we could not determine if the delays were justified; and (3) DOES caseworkers did not exit 52 percent of sampled Adult and Dislocated Worker Program participants within the required WIA guidelines of 90 days after no activity.
2. DOES did not comply with WIA regulations for its procurement of training providers for the WIA Youth program until October 2002 and DOES did not comply with DC procurement regulations in awarding YO subgrants. The DOES procurement process of training providers for the WIA Adult and Dislocated Worker programs adheres to WIA regulations.
3. DOES did not meet the OMB Circular A-133 single audit reporting requirements because it did not obtain the required audit reports for two of the eight subgrantees.
4. The DOES One-Stop System is structured in accordance with WIA regulations and its State Plan, and the One-Stop center costs were proportionate to the level of services.

## Recommendations

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We recommend that the Assistant Secretary for Employment and Training ensure DOES:

1. revises Chapter 8, Section 5, *Special Population Services* of the DOES One-Stop Career System Operating Policies to specify that low-income participants facing multiple barriers to employment have the right to choose any eligible training provider, even if a "hard-to-serve" provider refers them to DOES;
2. directs caseworkers to sufficiently document all activity related to enrolling Adult and Dislocated Worker participants in approved training and identify and take action on the systemic causes of any delays;

3. enhances the Virtual One-Stop System (VOS) to automatically exit Adult and Dislocated Worker participants who have not had any activity in 90 days and provide training for their caseworkers to ensure that they are complying with policies and procedures;
4. develops and implements procedures to ensure that subgrant awards are reviewed by the Office of Grants Management and Development (OGMD); and
5. implements a process and tracking system to ensure it obtains the required OMB Circular A-133 Single Audit Reports for contractors and subgrantees and uses the audit reports as part of its monitoring process.

#### Agency Response

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In their response to the draft report, DOES officials stated they have taken action on recommendations 3 and 5 and plan to take corrective action on recommendation 1. The response did not address recommendations 2 and 4.

DOES officials did not agree with some of the findings in the report. Specifically, DOES officials responded that they mildly disagree that all customers did not have the option of consumer choice in 2002 and 2003. DOES officials believe that some confusion stems from the One-Stop Policy Manual which was drafted in 2002. DOES officials stated the policy is being reviewed and updated. Also, officials stated that, "after considerable wrangling with our local legislature, in 2004, the District eliminated contractual programs for the hard-to-serve, offering only ITA programs."

Concerning our finding on the amount of time it took participants to enter training, DOES officials responded that there is no national consensus as to amount of time it should take to get customers into training, or what steps a customer should be required to complete before a determination for training services is made. DOES officials stated that the dates discussed in the report do not consider the date on which a person is determined to need training.

Finally, DOES officials believe they complied with DC procurement regulations in awarding YO subgrants. DOES officials stated that neither the District's Office of Contracting and Procurement nor OGMD raised any concerns relative to the Youth Opportunity Grant award process, or the decision to kick-off the WIA older youth programming with YOG programs.

#### OIG Conclusion

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The DOES response to our draft report did not provide any additional information that caused us to revise our findings and recommendations.

All the recommendations will be resolved as part of ETA's audit resolution process. We attached the DOES response in its entirety to this report as Appendix D.

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**U.S. Department of Labor**

Office of Inspector General  
Washington, DC 20210



## **Assistant Inspector General's Report**

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The Office of Inspector General (OIG) conducted an audit of the District of Columbia (DC) Workforce Investment Act (WIA) program for program years (PYs) 2001 and 2002 but we examined activities beyond this period when circumstances warranted. The Department of Employment Services (DOES) administers the DC WIA program. For PYs 2001 and 2002, the Employment and Training Administration (ETA) awarded DC \$7,842,718 and \$7,819,449, respectively, in WIA funds and \$8,000,000 and \$6,000,000, respectively, in Youth Opportunity (YO) grants.

We conducted the audit to answer the following questions:

1. For Adult and Dislocated Worker participants with an approved Individual Training Account (ITA), did DOES: (1) provide these participants a choice of training providers; (2) provide training services in a timely manner; and (3) exit these participants from WIA in a timely manner?
2. Does the DOES procurement process for selecting training providers adhere to WIA and DC regulations?
3. Is DOES meeting Office of Management and Budget (OMB) Circular A-133 Single Audit requirements?
4. Is the DOES One-Stop System structured in accordance with WIA and the DOES State Plan, and are costs for the One-Stop centers proportionate to the level of services they provide?

We conducted our audit in accordance with Government Auditing Standards for performance audits. Our scope, methodology, and criteria are detailed in Appendix B.

**Objective 1** – For Adult and Dislocated Worker participants with an approved Individual Training Account (ITA), did DOES: (1) provide these participants a choice of training providers; (2) provide training services in a timely manner; and (3) exit these participants from WIA in a timely manner?

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## **Results and Findings**

Overall, for Adult and Dislocated Worker participants with an approved ITA: (1) there was evidence to support that DOES provided a choice of training providers to 14 of the 20 participants in our sample, but DOES' policies for low-income participants facing multiple barriers to employment did not provide for consumer choice; (2) over one-third of these participants waited over 60 days to receive training and 14 percent waited over 4 months, but we could not determine if the delays were justified; and (3) DOES caseworkers did not exit 52 percent of sampled Adult and Dislocated Worker Program participants within the required WIA guidelines of 90 days after no activity.

There was Evidence to Support that DOES Provided Consumer Choice to 14 of the 20 Adult and Dislocated Worker Participants in Our Sample, but DOES Policies for Low-Income Participants Facing Multiple Barriers to Employment Need to be Changed.

Our testing found there was evidence to support that DOES provided a choice of training providers to 14 of 20 Adult and Dislocated Worker participants in our sample. We could not make a determination for the remaining six participants. However, we found that Chapter 8, Section 5, *Special Population Services*, of the DOES One-Stop Career System Operating Policies for low-income individuals facing multiple barriers to employment, did not comply with WIA consumer choice requirements.

WIA Section 134 (d)(4)(F), Consumer Choice Requirements, states:

In general—Training services provided under this paragraph shall be provided in a manner that maximizes consumer choice in the selection of an eligible provider of such services. Eligible providers—Each local board, through One-Stop center referred to in subsection (c), shall make available—the State list of eligible providers of training services required under section 122 (e), with a description of the programs through which the providers may offer the training services, and the information identifying eligible providers of on-the-job training and customized training required under section 122(h); and the performance information and performance cost information relating to eligible providers of training services described in subsections (e) and (h) of section 122.

WIA Section 134 (d)(4)(G), provides that training services to eligible participants shall be provided through the use of ITAs.

We obtained an understanding of the DOES ITA process by interviewing DOES staff and reviewing DOES One-Stop Career Center Operating Policies. With the exception of low-income individuals facing multiple barriers to employment, DOES' policies provide consumer choice to participants. DOES' policies for low-income individuals facing multiple barriers to employment are stated in Chapter 8, Section 5, *Special Population Services* of the DOES One-Stop Career System Operating Policies. The policy defines these types of individuals as those with language barriers, offenders, homeless, or other hard-to-serve individuals as defined by the WIC. The policies provide that these individuals should not be left "on their own" to find suitable employment. The policy explains that a participant initially referred to a NetWorks One-Stop center by a "hard-to-serve" training provider, should be certified and referred back to that training provider. Therefore, we concluded this policy does not comply with WIA.

We found DOES provided a choice of training providers to 14 of the 20 participants in our sample. We could not make a determination on the remaining six participants. We selected a non-statistical random sample of 20 participants with an approved ITA that received services from providers that also served hard-to-serve individuals. We used this method because there was a higher risk that participants from these types of training providers were not provided consumer choice. We either contacted the participant or examined their case file to determine if DOES gave them a choice of a training provider. We could not make a determination for 6 of the 20 sampled participants due to a lack of documentation and inability to contact the participant. The remaining 14 participants in our sample were all offered a choice of training providers.

Over One-Third of WIA Adult and Dislocated Worker Program Participants Waited Over 60 Days to Receive Training But Inadequate Documentation Hindered Our Determination of Whether the Delays Were Justified.

Our analysis of data for all of the WIA Adult and Dislocated Workers approved for an ITA, found that 37 percent waited over 60 days to start training and 14 percent waited over 4 months. However, we were unable to determine if the delays for 60 percent of participants reviewed were justified because of poor case file documentation.

Although there are no Federal requirements concerning the timeframes for providing training to eligible WIA Adult and Dislocated Workers, the DOES One-Stop Career Operating Policies states, it should only take a maximum of 30 days from the time these participants enter a NetWorks' One-Stop center until they are determined eligible and approved for training. This process is completed with the execution of an ITA. With the ITA, the approved participant may select a training course from a list of approved training providers.

We performed an analysis of data in the DOES Virtual One-Stop System (VOS) for all WIA Adult and Dislocated Workers approved for an ITA during PYs 2001 through 2004. We identified the number of participants whose time between their registration and training start date exceeded 60 days. We used the 60-day measurement based on the DOES policy to approve participants for an ITA within 30 days of registering at the

One- Stop center and our judgment that the training should begin within 30 days after DOES caseworkers approved the ITA.

The results of our analysis found that 37 percent of the participants with ITAs waited over 60 days to start the training. On average, these participants waited 146 days between the time when they registered at the NetWorks' One-Stop center and when they started training. The following table provides details:

	Number of Participants	Percent of Total Participants	Average Number of Days to Start Training
Total Participants With ITAs During PYs 2001 through 2004	2,613	100%	
Total Number of Participants Over 60 Days Between Registration Date and Training Start Date	971	37%	146 Days
<hr/>			
Number of Days Between Registration Date and Training Start Date Over 60 Days			
61-125 Days	607	23%	
126-250 Days	248	10%	
251+ Days	<u>116</u>	<u>4%</u>	
Total Participants Over 60 days	971	37%	

To determine why it took more than 60 days for participants to enter training, we selected a non-statistical random sample of participants from each of the time intervals shown in the above table and reviewed case file documentation and any supplementary information from DOES staff. Our sample totaled 30 participants. There was insufficient information in the case files to determine the cause of the delay in entering training for 18 (60 percent) of the 30 participants in our sample. The enrollment date in the VOS may not be reliable because when DOES installed a new version of VOS, a default date replaced the actual enrollment date of existing participants. Additionally, if the participant had to change training providers, the original training start date had to be deleted and replaced with the new training start date. DOES officials told us that caseworkers should have documented these circumstances in the participant case files.

For the 12 in our sample that had adequate documentation in the case file, the reasons for the delay in training were not always attributed to DOES. Specifically, the following reasons contributed to why training was delayed:

- The participant changed training providers.
- The training provider had a specified start date.

- The participant requested a training provider not approved at the time and was waiting for DOES to approve the provider.
- The training provider changed the date of training due to lack of enrollees.
- The training provider discontinued services while the participant was enrolled which caused the participant to select a new training provider.

Without adequate case file documentation, we could not conclude whether the delays in providing training were justified.

DOES Caseworkers Did Not Exit 52 Percent of Sampled Adult and Dislocated Worker Program Participants Within the Required WIA Guidelines of 90 Days After No Activity.

DOES did not exit participants from its WIA Adult and Dislocated Worker programs after 90 days of no activity. This occurred because DOES did not implement policies and procedures to ensure such participants were exited after 90 days of inactivity. As a result, there is a potential risk that DOES may be taking credit for the employment of participants in which services had not been provided in more than 90 days. The risk of overstating the number of employed exited from the program could also result in receiving unearned incentives that ETA provides to states that exceed their negotiated performance levels.

ETA's Training and Guidance Letter No. 7-99, Core and Customer Satisfaction Performance Measures for the Workforce Investment System, provides guidance for states to implement core and customer satisfaction performance measures required under WIA. Part (4)(D) of the Guidance Letter states for all of the core measures, comparability across the states is only possible if a single point in time is used to begin measurement. The term "exit" is being used to determine when to count an individual in a specific reporting period. Individuals become part of an exit group within a particular quarter and are looked at together for measurement purposes.

The Guidance Letter states that there are two ways to determine exit during a quarter:

1. A participant who has a date of case closure, completion or known exit from WIA-funded or non-WIA funded partner service within the quarter (hard exit), or
2. A participant who does not receive any WIA-funded or non-WIA funded partner service for 90 days and is not scheduled for future services except follow-up services (soft exit). The exception to this would apply to participants who have a planned gap in service of more than 90 days due to a delay in starting training or a health or medical condition that prevents them from participating in WIA services. However, the Guidance Letter states any gap in service should be documented along with the reasons.

The Guidance Letter also explains that UI wage records and supplemental data sources can be used for the Adult and Dislocated Worker entered employment and employment

retention rate measures. Only UI wage records can be used for the earnings change measure. States may apply for incentives if their performance for the immediately proceeding year has exceeded the state's negotiated levels of performance for the required core indicators for the adult, dislocated worker, and youth programs under Title I of WIA, as well as, the customer satisfaction indicators of WIA for Title I programs.

DOES officials told us that the caseworkers were not exiting participants who did not have any activity for 90 days. DOES officials said that the VOS does not have the capability to automatically exit participants with no activity for 90 days. DOES officials admitted that case file management needs improvement.

To verify what DOES officials told us, we performed an analysis of the same sample of the 30 participants cited in our finding on whether WIA Adult and Dislocated Workers with ITAs were enrolled in training timely. We analyzed the 27 of the 30 participants that had more than 90 days between their WIA registration dates and the training start dates. Of those 27, 14 (52 percent) either had no activity for 90 days or the caseworker did not document activity if it did occur. For the remaining 13 participants, we found 12 had instances in which there was activity within 90 days. We could not make a determination on the remaining participant because the case file showed four different WIA enrollment dates and two different training start dates.

### **Recommendations:**

We recommend that the Assistant Secretary for Employment and Training ensure DOES:

1. revises Chapter 8, Section 5, *Special Population Services*, of the DOES One-Stop Career System Operating Policies to specify that low-income participants facing multiple barriers to employment have the right to choose any eligible training provider even if a hard-to-serve provider refers them to DOES;
2. directs caseworkers to sufficiently document all activity related to enrolling Adult and Dislocated Worker participants in approved training and identify and take action on the systemic causes of any delays; and
3. enhances VOS to automatically exit Adult and Dislocated Worker participants that have not had any activity in 90 days and provide training for their caseworkers to ensure that they are complying with policies and procedures.

### **Agency Response**

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DOES officials responded that they mildly disagree that all customers did not have the option of choice in 2002 and 2003. DOES officials believe that some confusion stems from the Department's One-Stop Policy Manual which was drafted in 2002, and is being reviewed and updated. The manual provides that a participant referred to a One-Stop center by a hard-to-serve training provider, should be referred back to that training

provider. However, in practice, quite the opposite was true because hard-to-serve providers complained that their referrals were enrolling in other programs after being provided the full spectrum of options. DOES officials stated that, “after considerable wrangling with our local legislature, in 2004, the District eliminated contractual programs for the hard-to-serve, offering only ITA programs.”

Concerning our finding on the amount of time it took participants to enter training, DOES officials responded that there is no national consensus as to amount of time it should take to get customers into training, or what steps a customer should be required to complete before determining the need for training services. DOES officials stated that the dates discussed in the report do not consider the date in which a person is deemed eligible for training. DOES officials stated that in 2002, they believed it should take 30 days for participants to enter training, but now they know different. Additionally, DOES officials stated that their analysis of the same data showed that for PY 2004 and PY 2005, the average number of days was 91.6 and 80.5, respectively.

DOES officials responded that they agree that caseworkers did not exit 52 percent of sampled Adult and Dislocated Worker Program participants within the required WIA guidelines of 90 days after no activity. DOES officials stated that subsequent to the period of our audit, they took corrective action to clean out a host of “dead” files and made several efforts to comply with ETA requirements, such as staff training and instituting an automatic exit trigger in VOS.

## OIG Conclusion

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As stated in our finding, we found that participants were provided, where documented, a choice of training providers despite the One-Stop Career System Operating Policies for low-income participants facing multiple barriers to employment. By eliminating its contractual program for the hard-to-serve, and offering only ITA programs, DOES has addressed the risk of not providing consumer choice to Adult and Dislocated Worker participants. DOES officials also agree that One-Stop Career System Operating Policies need to be reviewed and updated in order to not cause confusion regarding the consumer choice requirement.

Concerning the amount of time it took participants to enter training, our finding clearly states that there is no Federal requirement and we based our analysis on the requirements in the DOES One-Stop Career Operating Policies. As we recommend, DOES needs to determine the cause of the delays and take action. DOES appears to have done this in part by realizing the requirements in the DOES One-Stop Career Operating Policies do not consider the date in which the participant is determined to be eligible for training. The DOES response did not address the problem we found concerning the lack of case file documentation on the reasons for delays in enrolling participants in training. Also, we have no explanation for the difference between our computation of the average number of days to start training and DOES' computation provided in the response. The data file DOES provided to us during the audit contained

only two dates, the registration date at the One-Stop and the training start date. We analyzed only those dates and we included all participants.

DOES officials did not respond to recommendation 2.

**Objective 2** – Does the DOES procurement process for selecting training providers adhere to WIA and DC regulations?

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## **Results and Findings**

### DOES Did Not Comply with WIA Regulations for its Procurement of Training Providers for the WIA Youth Program Until October 2002 and DOES Did Not Comply with DC Procurement Regulations in Awarding YO Subgrants.

DOES does not have sole control over the selection of training providers for WIA programs and YO grants. DC agencies independent of DOES are also required to be involved in the selection of training providers. For the Adult and Dislocated Workers and Youth programs, DOES shares responsibilities with the DC Office of Contracting and Procurement (OCP) for procuring training providers. For the YO program, the DC Office of Grants Management and Development (OGMD) is responsible for reviewing the competitiveness of awarding subgrants to training providers.

The following provides details of our audit work of DOES procurement and awards of training providers for the WIA programs and YO grants.

#### Youth Training Providers

Currently, DOES' process for procuring training providers for the Youth programs meets WIA requirements. However, DOES did not competitively award contracts for the Out-of-School Youth program training providers until October 2002. Additionally, we could not determine the level of involvement by the Youth Investment Council (YIC) in making recommendations as part of the selection process before 2003.

WIA Section 123, Identification of Eligible Providers of Youth Activities, requires that such providers be awarded grants or contracts on a competitive basis based on recommendations from the youth council and criteria contained in the State Plan.

DOES did not establish its Out-of-School Youth program until PY 2001. To expedite the start of the Out-of-School Youth program, DOES non-competitively procured training providers by modifying existing YO subgrants (see following section for discussion on the YO subgrants). DOES did this for PYs 2001 and 2002. DOES issued the first competitive request for proposals to training providers in February 2002 and awarded the contracts in October 2002.

The YIC was not established until 2001 and policies and procedures on its procurement responsibilities were not effective until January 2003. Therefore, we did not attempt to



determine if the YIC made recommendations as part of the early request for proposals for DOES WIA Youth program before 2003.

DOES' current process for procuring training providers for its WIA Youth program meets WIA requirements in that training providers are competitively selected and the YIC is involved in the selection process. To determine if the process was followed, we judgmentally selected one procurement action, which awarded six contracts totaling \$972,814 for the base year and all six were renewed the following year. The process was followed and the contracts were awarded on a competitive basis and with recommendations from the YIC.

#### Youth Opportunity Subgrants

DOES did not follow all the procurement requirements in its non-competitive award of YO grant funds to eight subgrantees. ETA awarded DOES \$32 million over 5 years for the YO grant.

YO grants are authorized under Section 169 of WIA. The initial grant period is 1 year with up to an additional 4 years based on the availability of funds and satisfactory progress towards achieving the grant objectives and goals. The grants are structured for the entities to receive an initial award for PY 2000, then "re-apply" each subsequent year. Section 169 does not have any specific criteria for selecting YO training providers, so we concluded DOES was required to follow Title 29 of the Code of Federal Regulations (CFR) part 97, Uniform Administrative Requirements for Grants and Cooperative Agreements, subpart C section 97.36. This requires states to follow the same policies and procedures it uses for procurements from its non-Federal funds. The DC Register, Chapter 50, *Subgrants to Private and Public Agencies*, Section 5002.1, effective May 21, 1999, states "all subgrants to private organizations shall be awarded on a competitive basis." Section 5002.1(a) provides exceptions to making awards on a competitive basis including:

- The award of the grant designates the subgrant recipient.
- The Federal law defines eligibility in such a way that there is only one eligible applicant.
- There is a recognized coalition of service providers through which the broadest community participation may be obtained in serving the targeted clientele.

The following are additional requirements in Chapter 50 concerning sole source awards:

- Section 5002.6(g) requires agencies to prepare a sole source justification explaining the absence of competition and submit it to OGMD.
- Section 5004.1(a) provides OGMD will review each subgrant award that exceeds \$10,000 to ensure agencies followed the competitive process.

- Section 5004.1(d) states that: In addition to the review for competitiveness by OGMD and, if required by the City Administrator and Chief Financial Officer, any subgrant award involving expenditures in excess of \$1 million during a 12-month period, including subsequent modifications to an award that singly or in aggregate with the award involves expenditures in excess of \$1 million during a 12-month period, shall be reviewed and approved by the DC Council.

DOES officials told us that they did not competitively award the YO subgrants for the following reasons:

- Various community service organizations collectively approached DOES to be involved in the planning and submission of a grant proposal to ETA for the YO grants. DOES officials told us the community service organizations had extensive experience in youth education and career development and experience in dealing with youth who were out-of-school, hard-to-serve, and at risk of dropping out of school. A DOES official explained that it was the strength of the training providers that influenced DOES' decision to apply for YO grants.
- ETA guidance in the Solicitation Grant Announcement encouraged the inclusion of subgrantee training providers in its grant proposal. ETA's solicitation showed that factors for rating proposals included public sector and community partnerships and complementary resources.
- There was not sufficient time to competitively solicit subgrantees because the closing date for YO grant applications was only 4 months after ETA announced the competition; it would have taken at least 6 months if the subgrantees were competitively awarded. ETA published the Notice of Availability of Funds and Solicitation for Grant Applications in the *Federal Register* on June 2, 1999, and the applications were due September 30, 1999. ETA officials confirmed that submitting a proposal could take at least 6 months.
- During a presentation at a conference on YO grants, ETA officials stated that the subgrants did not have to be competitively awarded if they were included in the solicitation proposals.

Based on DOES officials' explanations and review of documentation on the subgrant awards, we did not question DOES sole source justification. However, there was no evidence to show that DOES provided the sole source justification to OGMD for review as required by Section 5002.6(g). There was also no evidence that OGMD reviewed the awards to ensure DOES followed DC regulations for subgrant awards as required by Section 5004.1(a).

Additionally, 10 awards made to 5 subgrantees were just under the \$1 million threshold requiring DC Council review. The following schedule shows YO subgrantees and awards that exceeded \$950,000 for PYs 2001 through 2003:

Subgrantee	PY 2001	PY 2002	PY 2003
Action to Rehabilitate Community Housing	\$ 965,402	\$ 995,500	\$ 999,914
Covenant House	\$ 951,547	\$ 953,000	\$ 980,000
Foundation for Education Innovation	\$ 997,500		
Latin American Youth Center	\$ 997,660		
Friendship House Assoc.		\$985,206	\$ 995,614

Note: Some of the amounts for Foundation for Education Innovation, Latin American Youth Center and Friendship House Association include modifications to award WIA Out-of-School Youth funds.

DOES did not submit the subgrants to the DC Council for review. Considering that the subgrants were not competitively awarded, DOES officials should not have solely made the decision of whether to submit the subgrants to the DC Council for review because they were just below the threshold. Had DOES followed DC regulations and submitted the procurement action to OGMD for review, OGMD would have been involved in deciding whether the awards should have been submitted to the DC Council for review as required by Section 5004.1(d) because they were so close to the threshold.

The DOES Procurement Process of Training Providers For the WIA Adult and Dislocated Worker Programs Adheres to WIA Regulations.

DOES has a process in place that meets WIA requirements for selecting training providers for its Adult and Dislocated Worker programs.

WIA Section 122, Identification of Eligible Providers of Training Services, requires that a process be implemented for establishing the criteria and procedures to determine the initial eligibility of training providers for the Adult and Dislocated Worker programs. The process should also include maintaining a list of eligible training providers from which participants can choose.

The DC OCP and the Workforce Investment Council (WIC) are responsible for approving training providers. Any training provider that meets the eligibility criteria can participate in the WIA Adult and Dislocated Worker programs. An application process is used to evaluate and select training providers. OCP is responsible for initially reviewing applications for completeness and signatures. OCP then sends the applications to the DOES Office of Contract Management (OCM) which conducts site visits and reviews of staff qualifications, past performance, and required licenses. OCM provides the results of its review to OCP and the WIC. OCP and the WIC will then decide whether or not to approve the application. If the application is approved, OCP executes either a purchase order or a Blanket Purchase Agreement (BPA) with the training provider. The purchase order and BPA contain a provision that the cost of the training during a 12-month period for each participant shall not exceed \$8,000 without authorization from DOES. OCP

requires that training providers be recertified every 2 years and, at any time, OCM, can recommend to the WIC or OCP removing a training provider from the approved list based on performance and compliance monitoring reviews. DOES maintains a list of approved training providers for participants to choose from. The list identified 58 training providers approved for PY 2001 and 76 approved for PY 2002.

We did not review any training provider files for the Adult and Dislocated Worker programs to determine if DOES followed the above process for selecting such providers.

### **Recommendation**

4. We recommend that the Assistant Secretary for Employment and Training ensure DOES develops and implements procedures to ensure that subgrant awards are reviewed by OGMD.

### **Agency Response**

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DOES officials responded that they believe they complied with DC procurement regulations in awarding the YO subgrants. DOES officials provided an explanation concerning the reasons for selecting and making the awards to the YO subgrantees. DOES stated that the DC OCP and the OGMD reviewed the YO subgrant awards and these offices did not raise any concerns relative to the award process, or the decision to kick-off the WIA older youth programming with YO subgrants.

### **OIG Conclusion**

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DOES officials did not respond to the recommendation. As stated in our finding, we did not question DOES' sole source selection of the YO subgrantees. In their response, DOES officials imply that OCP and OGMD reviewed the procurement for the YO subgrants award process; however, DOES officials did not provide any evidence to support this statement.

### **Objective 3 – Is DOES meeting OMB Circular A-133 Single Audit requirements?**

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### **Results and Findings**

#### **DOES Did Not Meet the OMB Circular A-133 Single Audit Requirements Because It Did Not Obtain the Required Audit Reports for Two of Eight Subgrantees.**

DOES did not have adequate controls in place to ensure all required audit reports were obtained. As a result, there is a risk that DOES would not be able to detect if DOL funds were not spent in accordance with the appropriate laws and regulations.

OMB Circular A-133, Subpart B – Audits, section 200 (a) states that non-Federal entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in Federal awards shall have a single or program-specific audit conducted for that year. Additionally, OMB Circular A-133, Subpart D, section 400(d) provides some of the following requirements concerning pass-through entities. The pass-through entity shall:

- Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- Monitor activities of subrecipients to ensure awards are used for authorized purposes and that performance goals are achieved.
- Issue decision on audit findings within 6 months after receipt of subrecipient's audit report.

In June 2003, the DOES Director issued a memorandum stating that DOES contracts and subgrants will be modified to require that contractors and subgrantees self-certify their obligation under OMB Circular A-133 and submit their required audit reports, as appropriate. The memorandum further stated that the required audit reports will be obtained and reviewed by the receiving office and the necessary corrective action will be taken in regard to DOES funding. DOES OCM is responsible for financial monitoring of subgrants and contracts for all of the DOES employment and training programs.

DOES did not obtain the required audit reports for two of eight subgrantees. Specifically, The Foundation for Education Innovation did not submit the required audit reports for December 31, 2000, through December 31, 2003. It received over \$3,400,000 in grant funds for PY 2000 through PY 2003. The other subgrantee, Associates for Renewal in Education, received over \$788,000 in PY 2001 and \$313,000 in PY 2002, but did not submit the required audit reports.

We interviewed various DOES, OCP, and Office of Chief Financial Officer (CFO) officials to identify procedures for obtaining and reviewing the required audit reports for contractors and subgrantees. They responded that there were no procedures for obtaining and reviewing audit reports. Additionally, the A-133 Single Audit Report for DC, for the year ending September 30, 2002, reported that DOES did not have a process in place to obtain the required audit reports. DOES' response to the finding stated that corrective action was taken. However, DOES is still lacking procedures to ensure it obtained the required audit reports from subrecipients.

## **Recommendation:**

5. We recommend that the Assistant Secretary for Employment and Training ensure DOES implements a process and tracking system to ensure it obtains the required OMB Circular A-133 Single Audit Reports for contractors and subgrantees and use the audit reports as part of its monitoring process.

## **Agency Response**

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DOES officials responded that they obtained the OMB Circular A-133 Single Audit Reports for one of the two subgrantees cited in our finding. DOES officials also stated that they took corrective action and revised their procedures to ensure that responsibilities for obtaining the required audits were clearly detailed.

## **OIG Conclusion**

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The DOES response did address the recommendation and described corrective action taken by DOES to ensure it obtains the required OMB Circular A-133 Single Audit Reports. However, DOES did not address whether it obtained the audit report for one of the two subgrantees cited in the finding.

**Objective 4** – Is the DOES One-Stop System structured according to WIA and the DOES State Plan and are the costs for the One-Stop centers proportionate to the level of services they provide?

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## **Results**

DOES Structured its One-Stop System According to WIA Regulations and the DOES State Plan, and the One-Stop Center Costs Were Proportionate to the Level of Services Provided.

Title 20 CFR, part 662 provides the requirements of the One-Stop system under Title I of WIA. Subpart A, section 662.100(c) requires that the One-Stop delivery system must include at least one comprehensive physical center in each local area that provides the core services specified in WIA section 134(d)(2), and must provide access to other programs and activities carried out by the One-Stop partners. Also, section 662.100(e) requires that the design of the local area's One-Stop delivery system, including the number of comprehensive centers and the supplementary arrangements, be described in the local plan and be consistent with the memoranda of understanding executed with the One-Stop partners.

According to the DOES State Plan, integrated service delivery will be provided through its One-Stop delivery system – NetWorks. One of the DOES goals for NetWorks is to provide more flexibility by locating full service and specialized satellite One-Stop centers throughout the community so they are closer to the customer and more accessible by

public transportation. The DOES State Plan provides that these centers be located throughout the city creating access within a 20 minute commute for residents of each ward.

During the period covered by our audit, the DOES NetWorks consisted of:

- two full service One-Stop centers;
- six satellite One-Stop centers; and
- a full service One-Stop center specifically for youth services.

Each center is an entry point for any individual seeking services and staff will then direct the individual to the location that can best provide the services they need. Therefore, the DOES One-Stop System complies with WIA regulations and is structured according to its State Plan.

To determine if the costs of the One-Stop centers were proportionate to the level of services provided (full service center vs. specialized satellite center), we obtained PYs 2001 and 2002 cost reports and staffing for each of the nine One-Stop centers and compared the total costs and staffing to the level of services the centers provided. The two full service One-Stop centers and the full service One-Stop for youth services accounted for 78 percent of the total NetWorks One-Stop center costs for PYs 2001 and 2002 and at least 76 percent of the staff. Therefore, the One-Stop center costs were proportionate when compared to the level of services provided.

#### Agency Response

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DOES officials responded that they welcome our conclusion that its One-Stop system is structured in accordance with regulations and our plan, and that costs were proportionate to the level of services.

#### OIG Conclusion

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We agree with the response.

All the recommendations will be resolved as part of ETA's audit resolution process.



Elliot P. Lewis  
March 3, 2006

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## **Appendices**

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## APPENDIX A

### BACKGROUND

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#### Workforce Investment Act of 1998

The purpose of WIA (Public Law 105-220 Aug.7, 1998), is to provide funding and guidance to statewide and local workforce investment systems to increase the occupational skill attainment, employment, retention, and earnings of participants. WIA supersedes the Job Training Partnership Act, amends the Wagner-Peyser Act, reforms Federal job training programs, and creates a comprehensive workforce investment system. Moreover, WIA contains the Adult Education and Family Literacy Act, and the Rehabilitation Act Amendments of 1998. ETA is responsible for administering WIA at the Federal level.

The goal of WIA is to increase employment, retention, and earnings of participants, and in doing so, improve the quality of the workforce to sustain economic growth, enhance productivity and competitiveness, and reduce welfare dependency. In addition, the Act is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. The law embodies the following seven key principles.

- *Streamlining Services* through better integration at the local level in the One-Stop delivery system. To enable the system as a whole to be coherent and accessible for individuals and businesses alike, programs and providers are to co-locate, coordinate and integrate activities and information.
- *Empowering individuals* in several ways.
  1. Eligible adults are given financial power to use ITAs at qualified training and education providers.
  2. Individuals are empowered with greater levels of information and guidance through a system of consumer reports providing key information on the performance outcomes of training and education providers.
  3. Individuals are empowered through the advice, guidance, and support available through the One-Stop system, and the activities of One-Stop partners.
- *Universal Access.* Any individual will have access to the One-Stop system and to core employment-related services.
- *Increased accountability.* To survive in the market, training providers must make accountability for performance and customer satisfaction a top priority.
- *Strong role for local workforce investment boards and the private sector.* The local, business-led boards act as “boards of directors” and focus on strategic

planning, policy development and oversight of the local workforce investment system.

- *State and local flexibility.* In order to implement an innovative and comprehensive workforce investment system, states and localities have increased flexibility, with significant authority reserved for the Governor and chief elected officials to build on existing reforms. The flexibility allows the particular needs of the local and regional labor markets to be met.
- *Improved youth programs* linked more closely to local labor market needs and community youth programs and services, and with strong connections between academic and occupational learning. The Act builds on the existing reforms pertaining to youth programs, and ensures that they will be available throughout the country.

### **Youth Opportunity Grants Initiative**

YO grants, authorized under Section 169 of the Workforce Investment Act of 1998, are to provide activities for youth to increase their long-term employment. This is for youth who live in empowerment zones, enterprise communities, and high poverty areas. A primary goal of the YO grants is to put systems in place that will be sustained after DOL funding ends, and result in long-term improvements in the community's capacity to serve youth. The 5-year \$1 billion YO grants were awarded through a competitive selection process. Thirty-six communities received YO grants—24 urban communities, 6 Native American, and 6 rural areas. All individuals ages 14-21 that reside in a community identified in the grant are eligible to receive services under the YO grants.

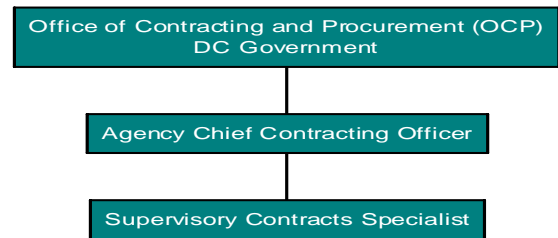
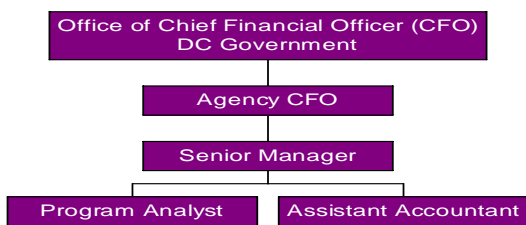
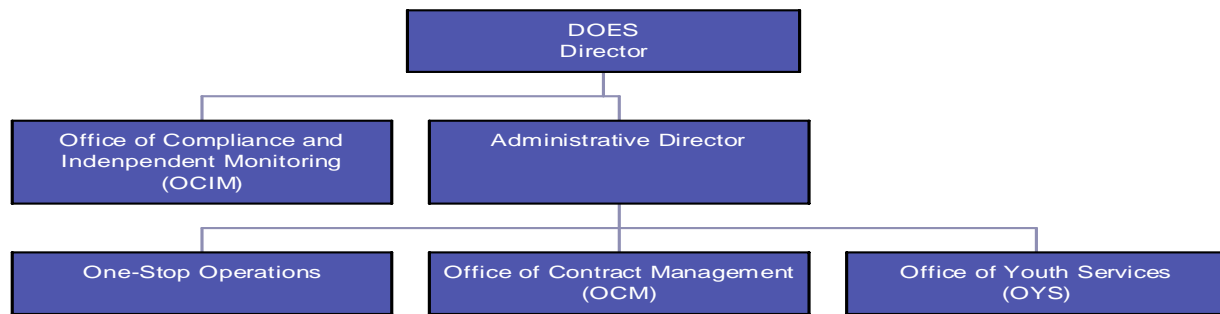
### **Department of Employment Services**

DOES administers the WIA program in DC. However, DOES is not responsible for the fiscal and procurement aspects of the program. The DC CFO is responsible for the fiscal administration of the program and ensuring that DOES complies with fiscal laws and requirements, determining if DOES has sufficient funding for its program needs, compiling program statistics, and preparing the Financial Status Reports submitted to ETA. The DC OCP is responsible for any procurement actions to satisfy DOES needs and for preparing all contract solicitations, negotiations, and awards.

For PYs 2001 and 2002, ETA awarded DC \$7,842,718 and \$7,819,449, respectively, in WIA funds and YO funds of \$8,000,000 in PY 2001 and \$6,000,000 in PY 2002. The following chart provides the WIA grant funds for the three WIA components and YO grants:

<b>Funding Type</b>	<b>PY 2001 Grant Funds</b>	<b>PY 2002 Grant Funds</b>
<b>WIA Component <sup>1</sup></b>		
Youth	\$4,593,113	\$4,134,267
Adult	\$994,917	\$895,426
Dislocated Workers	\$2,254,688	\$2,789,756
<b>Total WIA Funds</b>	<b>\$7,842,718</b>	<b>\$7,819,449</b>
<b>YO Grants <sup>2</sup></b>	<b>\$8,000,000</b>	<b>\$6,000,000</b>
<b>Total WIA and YO Funds</b>	<b>\$15,842,718</b>	<b>\$13,819,449</b>

Within DOES, the One-Stop Operations Division is responsible for ensuring the coordination of job search and training selection services to participants. OCM is responsible for providing oversight and support for contracts, subgrants, and memoranda of understanding. The Office of Youth Services manages the WIA Youth Programs, both in-school and out-of-school youth, and the YO grant program. See the following organization charts of DOES, CFO, and OCP.



<sup>1</sup> WIA funds are awarded based on a formula that takes various factors into consideration.

<sup>2</sup> YO grants were awarded on a competitive basis.

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## **APPENDIX B**

### **OBJECTIVES, SCOPE, METHODOLOGY, AND CRITERIA**

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As part of an ongoing effort to ensure that the WIA program was operating in accordance with the intended requirement of laws and regulations, the OIG conducted a performance audit of the DC WIA program for program years (PYs) 2001 and 2002.

#### **Objectives**

We conducted the audit to answer the following objectives:

1. For Adult and Dislocated Worker participants with an approved Individual Training Account (ITA), did DOES: (1) provide these participants a choice of training providers; (2) provide training services in a timely manner; and (3) exit these participants from WIA in a timely manner?
2. Does the DOES procurement process for selecting training providers adhere to WIA and DC regulations?
3. Is DOES meeting Office of Management and Budget (OMB) Circular A-133 Single Audit requirements?
4. Is the DOES One-Stop System structured in accordance with WIA and the DOES State Plan, and are costs for the One-Stop centers proportionate to the level of services they provide?

#### **Scope and Methodology**

Our audit covered WIA program activities and funds awarded to DC for the period July 1, 2001, through June 30, 2003. However, we examined activities beyond this period when circumstances warranted, such as, our review of participants that waited over 60 days to start training, DOES' YO grants and compliance with OMB Circular A-133.

We interviewed officials from the ETA National Office and the Philadelphia Regional Office and obtained financial and program statistics information. We also interviewed DOES officials to obtain a description of program operations, training activities, and program costs. Additionally, we reviewed documentation, as needed, that supported information from interviews and provided a basis for analysis. We also performed testing for the Adult and Dislocated Worker programs using judgmental and non-statistical sampling as discussed below.

To determine if DOES provided consumer choice of training providers to Adult and Dislocated Worker participants approved for an ITA and provided training in a timely manner, we interviewed DOES employees to gain an understanding of ITA customers' flow process. We compared the DC Networks One-Stop Career Systems Operating

Policies to WIA, CFR 20 part 652 *et.al.*, and Training and Employment Guidance Letter (TEGL) 7-99 to determine if DOES' written procedures comply with the Act and the CFR. DOES staff provided an electronic spreadsheet of information for participants with ITAs in PY 2001 and PY 2002, which we used to generate a non-statistical random sample of participants for the choice of training provider review and the time delay review. We assessed the reliability of data by interviewing DOES officials that provided it and comparing the spreadsheet data to the participant case files or information generated from a telephone survey. Based on these methods, we concluded that the information used for the consumer choice sample was sufficiently reliable for our report; however, the information for the causes of the time delay sample was unreliable, which is included as a finding in this report.

To determine if there was evidence that DOES provided a choice of training providers, we randomly selected 20 participants. We selected our sample from service providers that also served hard-to-serve participants because there was a higher risk that DOES did not provide these participants a consumer choice. We attempted to contact each participant twice by telephone, and for the participants that we were unable to contact, we examined their case files.

To determine if there was a time delay from when participants registered in WIA until they started training, we selected a non-statistical stratified random sample of 30 participants from PYs 2001 and 2002. We selected 5 with delays between 61-125 days, 10 with delays between 126-250 days, and 15 with delays over 250 days. We reviewed the case files of all of the participants in our sample to determine if there was documentation to explain the time delay. We performed an initial analysis of PYs 2001 and 2002 data. We subsequently obtained and analyzed PYs 2003 and 2004 data and added the results to our conclusion. To test the reliability of the data, we selected a random sample of 70 participants and verified the data to the casefile information in VOS. We used the time delay sample participants' case files to determine if they were exited after 90 days of non-activity. We also obtained supplementary case file information from DOES staff that contributed to our conclusions.

To determine if DOES was selecting and procuring training providers according to WIA regulations, we interviewed DOES employees, the Executive Director of the WIC, and OCP employees to obtain an understanding of the procurement process. Next, we compared our understanding of the procurement process with the WIA regulations. For the Adult and Dislocated Worker Programs, we obtained an understanding of DOES' process of using blanket purchase orders for providing services. Although we did not perform any testing to determine if DOES was following the process and procedures for selecting such providers, we did review a blank provider application, two completed evaluation tools from OCM, an approved BPA, as well as, confirming the process with OCP during interviews.

For the Youth Program, we obtained an understanding of the process DOES used to competitively select training providers. To test if the procurement process for the Youth Program was followed, we reviewed one judgmentally selected Out-of-School Youth



procurement action, which consisted of 17 responses to the request for proposal. Six providers were awarded contracts totaling \$972,814 for the base year and all were renewed for the following year. The procurement was selected because it was the initial Out-of-School competitive procurement. To assess the reliability of the data provided, we interviewed DOES and OCP officials that provided it. We also compared the list of Out-of-School Youth contract amounts from DOES officials to a list provided by OCP, which is independent of DOES. We concluded that the data were sufficiently reliable for the purpose of our report.

To determine if DOES followed regulations regarding the procurement of YO grant training providers we interviewed DOES, OCP, and ETA officials. We also obtained and reviewed YO grant documents including, the request for proposal, ETA questions and answers on YO grants, the original grant awards as well as the subsequent awards for PYs 2001-2003 by the Office of Youth Services. Subsequently, we compared our understanding of the process with the WIA and DC government regulations. We assessed the reliability of the data provided, by interviewing DOES officials that provided it. We also compared the list of YO grant award amounts to the contract modifications. We found the data were sufficiently reliable for the purpose of our report.

To determine if DOES was obtaining the required OMB Circular A-133 Single Audit Reports for youth training providers and YO subgrantees, we reviewed DC's A-133 Report for the year ended September 30, 2002, and eight YO subgrant agreements. We also requested subrecipients' audit reports, covering the period October 1, 1999, through June 30, 2003.

To determine if the DOES One-Stop System was structured according to WIA and the DOES State Plan, we interviewed DOES officials and reviewed DOES 5-year Strategic Plan and WIA regulations. To determine if the costs of each of the One-Stop centers were proportionate to the level of services they provide, we obtained an understanding of the services provided, interviewed CFO officials, and obtained and analyzed the DOES Spending Authority reports for each One-Stop center. We assessed the reliability of the data by interviewing the CFO official that provided the data and comparing the Financial Status Reports to the WIA Expenditure Reports, which are a detailed listing from the DOES general ledger. We concluded that the data were sufficiently reliable for the purposes of our report.

## Internal Controls

Our work on established internal controls included obtaining and reviewing policies and procedures and contract documents, as well as, interviewing key personnel. We gained an understanding of the data flows in each audit area and documented a description of the controls. Our testing of internal controls focused only on the controls related to our objectives of assessing compliance with significant laws, regulations, and DOES WIA policies and procedures and was not intended to form an opinion on the adequacy of internal controls overall, and we do not render such an opinion. Weaknesses noted in our testing are discussed in the Results and Findings section of this report.

## Compliance with Laws and Regulations

In order to determine compliance with the laws and regulations cited in the report, we interviewed participants and performed a review of the participant case files, procurement files, and subrecipient audit reports using non-statistical random sampling.

Our compliance testing focused only on the laws and regulations relevant to our audit objectives. We assessed compliance with significant laws, regulations, and DC WIA policies and procedures. Our audit objectives were not intended to form an opinion on compliance with laws and regulations as a whole, and we do not render such an opinion. Instances of noncompliance are discussed in Objectives 1, 2, and 3 of this report.

## Auditing Standards

We conducted our audit in accordance with Government Auditing Standards for performance audits. Fieldwork was conducted from December 2, 2003, to March 26, 2004, at the DOES office in Washington DC. We obtained additional data and other information from DOES on February 28, 2006, and completed analytical procedures on such information on March 3, 2006.

An audit made in accordance with these standards provides reasonable assurance that its objectives have been achieved; but it does not guarantee the discovery of illegal acts, abuse, or all internal control weaknesses. We believe our audit provides a reasonable basis for our assessment and conclusions.

The conclusions provided in this report are the result of our audit for the period July 1, 2001, to June 30, 2003, unless cited otherwise in this report. Changes in management of the program, including changes in controls, laws, regulations, and other compliance requirements could result in performance that would be different from the performance during that period.

## Criteria

We used the following criteria to perform this audit:

- Public Law 105-220, August 7, 1998, Workforce Investment Act of 1998
- 20 CFR Part 652 and Parts 660 through 671, Workforce Investment Act
- 29 CFR Part 97, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Government dated March 1988
- OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments)

- OMB Circular A-133 (Audit of State Government)
- OMB Circular A-102 (Grants and Cooperative Agreements with State and Local Government)
- TEGL 7-99
- DOES One Stop Career System Operating Policies dated March 2003
- DC Register Chapter 50: Subgrants to Private and Public Agencies dated May 21, 1999

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**APPENDIX C**

**ACRONYMS AND ABBREVIATIONS**

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BPA	Blanket Purchase Agreements
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
DC	District of Columbia
DOES	Department of Employment Services
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
ITA	Individual Training Account
OCM	Office of Contract Management
OCP	Office of Contracting and Procurement
OGMD	Office of Grants Management and Development
OIG	Office of Inspector General
OMB	Office of Management and Budget
PY	Program Year
TEGL	Training and Employment Guidance Letter
VOS	Virtual One-Stop System
WIA	Workforce Investment Act
WIC	Workforce Investment Council
YIC	Youth Investment Council
YO	Youth Opportunity Grants

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APPENDIX D

AGENCY RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of Employment Services

Office of the Director



Gregory P. Irish  
Director

(202) 671-1900-Voice  
(202) 673-6976-Fax

March 31, 2006

Mr. Michael T. Hill  
Regional Inspector General for Audit  
Office of Inspector General  
USDOL/Philadelphia Regional Office  
Public Ledger Building-Suite 1072  
Philadelphia, Pennsylvania 19106

Dear Mr. Hill:

Enclosed please find the department's responses to the audit findings detailed in your report on the District's Workforce Investment Act (WIA) programs. If you have questions or require additional information, please contact me or Daryl G. Hardy, Administrative Officer for Workforce Development, at (202) 698-5146.

Sincerely,

Gregory P. Irish  
Director

Enclosure

64 New York Avenue, N.E. ◊ Suite 3000A ◊ Washington, D.C. 20002 ◊ TDD (202) 673-6994

**1. Overall, for Adult and Dislocated Worker participants with an approved ITA:**

**(1) There was evidence to support that DOES provided a choice of training providers to 14 of the 20 participants in our sample, but DOES' policies for low-income participants facing multiple barriers to employment did not provide for consumer choice;**

The District mildly disagrees with the finding that all customers did not have the option of choice in 2002 and 2003. Frankly, the District has had a long history of providing customer choice dating back to the Job Training Partnership Act, when the District adopted a voucher-like program for dislocated workers.

For the years reviewed, the District funded several contractual programs for "hard-to-serve individuals," i.e., limited English speaking persons, the disabled, those with academic deficiencies, and others who would not have been candidates for Individual Training Accounts (ITA). To be clear, this was not a policy where all low-income individuals facing barriers to employment were directed to contracted programs. Simply, it was an option at a case worker's disposal if they felt that the customer could be successful, with additional support that would not be available through ITA providers. While the choices among contractual providers were limited, since the majority of our 130 programs are linked to ITAs, the other option would have been not to enroll the customer in any WIA funded training.

Moreover, we believe that some confusion stems from the Department's One Stop Policy Manual which was drafted in 2002 and is being reviewed and updated. The manual stated that a participant referred to a one-stop center by a hard-to-serve training provider, should be referred back to that training provider. Understandably, the OIG concluded that this stated policy did not comply with WIA. However, in practice quite the opposite was true. In fact, hard-to-serve providers consistently complained that their referrals were enrolling in other programs after being provided the full spectrum of options. Nonetheless, after considerable wrangling with our local legislature, in 2004, the District eliminated contractual programs for the hard-to-serve, offering only ITA programs.

**(2) Over one-third of these participants waited over 60 days to receive training and 14 percent waited over 4 months, but we could not determine if the delays were justified;**

This relatively new discussion and emphasis on how long it takes to move a person through core and intensive services and on to training leaves the District somewhat puzzled. Likewise, why the District appears to be singled out in this discussion is equally perplexing. Recently, some seem to have forgotten or chosen to discount the "work-first" tenets imbedded in WIA, or the once highly touted "inverted triangle." In the early years of WIA implementation, most states,



including the District, grappled with balancing these concepts with what many of us knew to be a need to provide immediate training. Clearly, as evidenced by a host of Government Accounting Office (GAO) reports, nationally there is no consensus as to amount of time it should take to get customers into training, or what steps a customer should be required to complete before a determination for training services is made.

More important, for the District, the dates being discussed are not counting from the time a person is deemed eligible for training—but are counting from the time they are deemed eligible for a WIA intensive service. There is no training trigger in our system. Hence, there is no electronic method for the District to count what is being requested...since WIA did not focus on this issue. That is the way the District's Virtual One Stop system is set up—we believe it follows the WIA law. Our system was developed to track individuals' entry to the workforce after receiving a host of WIA services of which, one could be training. When it is determined that a WIA intensive service is needed to help the customer secure employment, in most cases the training option is not yet on the horizon.

In 2002, when we were new to WIA, we postulated that it should take 30 days. Now, we know different. Moreover, any random sample will provide contradictory lengths of time since much of the responsibility for completing the training application rests with the individual. For PY 2004, we produced a file, sent to the OIG, which averaged 91.6 days; for PY 2005, a similar file reflected a reduction to 80.5 days. A recent report produced for the Washington Post for a different period reflected roughly 88 days. Quickly one finds that there is no set number of days to get an individual into training. Each case is different.

Statistically, it takes the District less than three months, on average, to move individuals through the system. Actually, a few customers with very lengthy periods between WIA determination and training enrollment tend to distort the timeline. In a number of these cases customers temporarily cease their initial quest of training accepting employment or remaining on Unemployment Compensation, only to resume interest in training several hundred days later.

This timeline takes into account the DOES review, D.C. Office of Contracting and Procurement (OCP) and Office of Finance processing, as well as issues cited by the OIG report that fall outside of the Department's control including:

- Customer directed changes in training providers with the original training start date deleted and replaced with the new training start date;
- Customers taking exorbitant amounts of time to select among more than 130 WIC approved programs and visit providers;
- Financial aide back-logs;
- Training provider specified start date missed by the customer;
- Customers requesting a provider not approved at the time thus requiring WIC and OCP approval;

- Training provider changed the dates of training due to lack of enrollees;
- Training provider discontinued services which caused the participant to have to restart the process.

**(3) DOES caseworkers did not exit 52 percent of sampled Adult and Dislocated Worker Program participants within the required WIA guidelines of 90 days after no activity.**

For the period reviewed, this was a legitimate finding. As was the case with many other states, the District was grappling with the complexity of the new law as well as implementing a new case management system. Subsequent to the period reviewed, we informed the U.S. Department of Labor Region II office that we would be taking a major performance hit in 2003 as we cleaned out a host of "dead" files, some pre-WIA, which had been converted in an assortment of technical actions necessary to initially populate the Virtual One Stop data base.

Since that time, the review focused on 2001 and 2002, several major actions have been implemented to ensure compliance with Training and Guidance Letter No. 7-99, Part (4)(D):

- Through continuous staff training, emphasis has been placed on teaching staff to provide comprehensive assessments and thorough case management services which lead to making sound decisions when referring individuals to jobs or training.
  - The U.S. Department of Labor Region II office assisted the District by identifying a contractor, Charter Oak, to provide technical assistance. This group worked with staff to establish procedures to ensure that individuals are exited timely and that staff provide timely follow-up with customers as mandated by WIA.
  - The District instituted an automatic exit trigger in Virtual One Stop. Case managers are prompted 14 days before a customer is scheduled to exhaust the 90 day requirement. If a service contact is not registered by the 90<sup>th</sup> day the file is electronically exited and referred to the customer satisfaction/follow-up unit.
- 2. DOES did not comply with WIA regulations for its procurement of training providers for the WIA Youth program until October 2002 and DOES did not comply with DC procurement regulations in awarding YO sub-grants. The DOES procurement process of training providers for the WIA Adult and Dislocated Worker programs adheres to WIA regulations.**

The District's process for procuring training providers for all programs meets WIA requirements. Second, DOES did not award contracts that were competitively bid for the Out-of-School Youth program training providers until



October 2002. Regarding the Youth Opportunity Grant (YOG), while Section 169 of WIA does not have any specific criteria for selecting YO training providers, we call on the Department of Labor to recall that it set certain requirements for YOG participation including the requirement for a "geographically contiguous" program design.

The major factors at work were that the Employment and Training Administration (ETA) guidance in the Solicitation Grant Announcement encouraged the inclusion of sub-grantee training providers in its grant proposal. ETA's solicitation showed that factors for rating proposals included public sector and community partnerships and complementary resources. And more important, there was insufficient time to competitively solicit sub-grantees because the closing date for YOG applications was only 4 months after ETA announced the competition; it would have taken the District roughly 6 months to develop a competitive solicitation process. ETA published the Notice of Availability of Funds and Solicitation for Grant Applications in the *Federal Register* on June 2, 1999, and the applications were due September 30, 1999.

It should be noted that the District believed it met the test of D.C. Register, Chapter 50, *Subgrants to Private and Public Agencies*, Section 5002.1, effective May 21, 1999. Section 5002.1(a) provides exceptions to making awards on a competitive basis including:

- The award of the grant designates the sub-grant recipient.
- There is a recognized coalition of service providers through which the broadest community participation may be obtained in serving the targeted clientele.

Neither the District's Office of Contracting and Procurement (OCP) or Office of Grants Management and Development (OGMD) have raised any concerns relative to the Youth Opportunity Grant award process, or the decision to kick-off the WIA older youth programming with YOG programs.

**3. DOES did not meet the OMB Circular A-133 single audit reporting requirements because it did not obtain the required audit reports for two subgrantees.**

The A-133 audit report for the Foundation for Educational Innovation has been obtained and is now on file with the department.

Since 1999, DOES has maintained written procedures which articulate the requirement that DOES subrecipients submit annual audit reports in accordance with the stipulations of OMB Circular A-133. When it was determined that we had not successfully collected all of the audit reports as required, the following corrective action was taken:

- Revised written procedures were issued which detail the responsibilities for collection and review of the A-133 audit reports by DOES subrecipients;
- Realizing that the A-133 reports are due nine months after the close of the calendar year, DOES began collecting prior year state and federal tax returns and the minutes of board meetings in an effort to secure more current financial data on DOES subrecipients.

**4. The DOES One-Stop System is structured in accordance with WIA regulations and its State Plan, and the One-Stop center costs were proportionate to the level of services.**

The District welcomes the OIG finding that its one stop system is structured in accordance with regulations and our plan, and that costs were proportionate to the level of services.